



State of Tennessee Department of Children's Services

Administrative Policies and Procedures: 3.12

Subject: Petty Cash Funds

Supersedes: DCS 3.12, 12/31/99;
PCN #58, 04/01/00

Local Policy: No
Local Procedures: No
Training Required: No

Approved by:

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Application

To All Department of Children's Services Fiscal And Administrative Services Employees, Youth Development Center Superintendents, DCS Community Residential Facilities Supervisors, Directors, and Regional Administrators.

Authority: TCA 37-5-106

Policy

Each location of the Department of Children's Services may establish a petty cash fund for the purpose of making payments that cannot be handled expeditiously through other established procedures.

Procedures

A. Appointment of petty cash custodian

1. Appointment

- a) The fiscal officer/superintendent/DCS community residential facilities supervisor/regional administrator/director or their designee must appoint at least one employee as the custodian of the petty cash fund. A letter shall be issued to the employee notifying them of the appointment.
- b) To appoint a substitute for the designated petty cash custodian, the fiscal officer, DCS community residential facilities supervisor, superintendent, regional administrator, or designee must do so in writing.

2. Duties

The petty cash custodian **must**:

- a) Prepare petty cash vouchers,
- b) Acquire receipts (e.g., sales slip, invoice, etc.) For purchases,
- c) Maintain the petty cash fund checkbook,
- d) Keep a petty cash signature file current at all times.

3. Segregation of duties

The petty cash custodian **must not**:

- a) Sign the petty cash checks,
- b) Prepare the monthly bank reconciliation,
- c) Handle cash receipts or make deposits.

B. Use of petty cash funds**1. Purposes**

Petty cash funds may be used for the following purposes:

- a) Small non-recurring expenses in DCS residential treatment facilities;
- b) Youth/student allowances In DCS residential treatment facilities;
- c) Commissary change fund;
- d) Transportation tickets for youth trips home when another method is not available;
- e) Program incentive meals and entertainment for youth and supervisory staff at DCS community residential facilities and youth development centers;
- f) GED examinations.

2. Limits

- a) Purchases must not violate Department of General Services purchasing procedures.
- b) The authorized balance for the petty cash fund must never be exceeded.
- c) Non-recurrent purchases must not exceed \$100 or the maximum amount authorized for the account if lower than \$100.
- d) Program incentive meals and entertainment for youth and supervisory staff members has no set limit but the Director Of Community Residential Facilities must approve the expense in advance.

3. Exceptions

Deviations from the purposes and limits listed above must have written approval from the Assistant Commissioner of Finance and Information Resources.

C. Establishment of a petty cash fund or request for increase in petty cash funds

The petty cash fund must be established or increased only as follows.

1. Justification and analysis

- a) The fiscal officer/superintendent/DCS community residential facilities supervisor/regional administrator/director or designee who wishes to establish or to increase a petty cash fund must write a letter of justification, including a six-month analysis of transactions to the Assistant Commissioner of Finance and Information Resources.
- b) The Fiscal officer/superintendent/DCS community residential facilities supervisor/regional administrator/director or designee must also include information pertaining to the following:
 - 1. Name and address of Bank to be authorized
 - 2. Type of account to be established
 - 3. Account name
 - 4. Purpose of the account
 - 5. name of petty cash custodian
 - 6. Name and title of person reconciling the account
 - 7. All authorized signatures on the account
 - 8. Proposed procedures for the account

9. State whether the account is interest bearing or non-interest bearing
10. Amount requested
11. Detailed description of purpose or justification for the account

2. Authorized balance

An authorized balance will be set based on an estimate from the transactions included in the analysis above. The authorized amount shall not exceed the estimated dollar amount required for operation for one month.

3. Request for authorization and warrant

- a) If the Assistant Commissioner for Finance and Information Resources approves the request, the director of fiscal and administrative services must write a letter to the:

- ◆ Director of accounts, Division of Accounts,
Department of Finance and Administration

- 1) The letter must state the purpose of the fund and information included in item B1.
- 2) The letter must also include a signature page for the Commissioner of Finance and Administration, The State treasurer, and the Governor of The State Of Tennessee.

- b) If approved a warrant will be issued to the authorized bank against an account code of the Department of Finance and Administration. The warrant and the official authorization including the signatures of individuals listed above must be received before the bank account is set up.

4. Initial deposit

When the fiscal officer or designee receives the warrant along with a copy of the authorization, he or she must take it to the bank identified in the authorized request.

D. Monies received

1. Receipts for deposits

- a) As soon as monies are received, designated staff other than the petty cash custodian must prepare a pre-numbered receipt for each deposit made to the fund. If possible another designated staff should make the deposit.
- b) All checks should be listed separately on a deposit receipt.

- c) After receipting the money and the deposit is made, a copy of the receipts and deposit slip must be given to the petty cash custodian for recording in the check book.

2. Endorsement of received checks

Checks must be restrictively endorsed ("**For Deposit Only**," plus the name of the account) as soon they are received.

3. Direct deposits

Receipts are not required for direct deposits to the petty cash account.

E. Monies paid out

1. Vouchers

- a) The petty cash custodian must prepare a pre-numbered petty cash voucher form FA-0629, *Petty Cash Voucher*, for each petty cash expenditure and send it for approval to fiscal officer/superintendent/DCS community residential facilities supervisor/regional administrator/director or designee and to the individual who is using the fund. Both signatures must be obtained on each voucher prepared.

- b) The petty cash custodian must attach a receipt for each purchase (e.g., sales slip, invoice, etc.) to its petty cash fund voucher.

2. Checks

- a) Checks for petty cash purchases must be written to the vendor or to the employee making the purchase.
- b) The petty cash custodian must write the check for a specific amount.
- c) The petty cash custodian must ensure that the check is signed with two currently approved signatures (not the petty cash custodian's or the payee's)
- d) The statement "**Two signatures required**" and "**void if not cashed after 180 days**" should be imprinted on all checks.
- e) The employee making the purchase (the payee) must not sign the check.

F. Checkbook maintenance

To maintain the checkbook, the petty cash custodian must:

- 1. Secure a copy of the deposit slip as soon as the deposit is made, enter the deposits in the checkbook register, and add them to the balance.
- 2. At the time the check is written, enter the amount of each check issued in the checkbook register and deduct it from

the balance.

3. Use ink for all checks written and all entries in the checkbook register.
4. Note “**VOID**” across the front of all voided checks and retain them in paid check sequence for audit purposes.
5. Thoroughly explain any adjustment to the checkbook balance.
6. Based on need

G. Fund reimbursement

The petty cash fund must be reimbursed as needed and at least once a month.

2. Reconciliation prior to reimbursement

Each time the fund is reimbursed, the petty cash custodian must reconcile the fund:

- ◆ The total of cash on hand plus outstanding petty cash vouchers must equal the authorized fund balance.
- ◆ A request is then prepared and sent to central office, fiscal and administrative services division for processing.

3. Voucher registers at youth development centers

a) To request reimbursement, the petty cash custodian at a youth development center must prepare a reconciliation of cash on hand plus outstanding petty cash vouchers to authorized amount and submit to fiscal officer or designee for a voucher register to be prepared with the following information for each voucher:

- ◆ The allotment code of the location,
- ◆ The proper cost center to be charged, and
- ◆ The proper object code.

b) The Fiscal officer or designee must send the register to the central office, fiscal and administrative services division for processing.

4. Requests from DCS community residential facilities

DCS community residential facilities designated staff must forward a request for reimbursement to the central office fiscal and administrative services division.

H. Monthly reconciliation

1. Preparation

a) Every month, designated staff other than the petty cash custodian must reconcile the bank account statement, the checkbook balances, and the authorized fund balance.

- b) The bank account statement must not be opened until it is delivered to the staff reconciling the account.
 - c) The envelope must be date stamped with the date that the bank statement was received.
 - d) The reconciliation must be performed five (5) business days after the receipt of the bank statement
2. Review and signature
- a) The designated staff preparing the reconciliation and the petty cash custodian of the account must sign and date the reconciliation report.
 - b) Designated staff not involved in the petty cash process must review and sign the reconciliation.
3. Overages/shortages
- a) The petty cash custodian must immediately report any overages or shortages in the petty cash fund to his/her supervisor. The supervisor must notify the director of fiscal and administrative services who will notify the assistant commissioner information resources, the director of internal audit and the director of internal affairs. The director of internal audit must immediately report any shortage to the comptroller of the treasury.
 - b) A thorough investigation must be conducted by internal affairs and the results communicated to the director of internal audit. The director of internal audit will report the result of the investigation to the comptroller of the treasury.

Forms

FA-0629 Petty Cash Voucher

Collateral Documents

Department of General Services Purchasing Procedures

ACA Standards

3-JTS-1B-03

3-JTS-1B-07

3-JTS-1B-09

3-JCRF-1B-02